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RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

March 4, 2010

BLSR Operating, Ltd.
11160 FM 521
Rosharon, Texas 77583

Re: Notice Pursuant to 16 TAC § 3.46(d)(1) of Intent to Terminate the Permits to Dispose of Non-Hazardous Oil and Gas Waste by Injection into a Formation Productive of Oil or Gas for the BLSR Operating, Ltd. ("BLSR"), Caldwell, J. H. Lease (11490), Wells No. 1, 4, 5, 6, 8, and 10, Juliff (7660) Field, Brazoria County, Texas [Project Permit No. 14563]

Dear Operator,

This letter is to notify BLSR in accordance with 16 TAC § 3.46(d)(1) of this office's intent to modify, suspend, or terminate the subject permits. In addition, BLSR is hereby directed to commence a comprehensive groundwater assessment in accordance with instructions to be obtained by BLSR from the Site Remediation Section of the Oil and Gas Division.

On February 17, 2010, BLSR reported to the Commission's district office that fluids were flowing from the ground on property adjacent to the subject lease ("breakout"). Reports from BLSR to the district reflect that fluid flow decreased upon cessation of injection into Well No. 4. The District Director, Guy Grossman, subsequently directed BLSR to cease injection into BLSR's two other active injection wells, Nos. 1 and 10. Wells No. 5, 6, and 8 have been authorized but not drilled, though their permitted injection intervals are similar to Wells No. 1, 4, and 10.

BLSR has unsuccessfully attempted to locate a cased borehole in the area where the breakout occurred. The absence of a cased borehole precludes any method to isolate any connection between the injection wells and the breakout. Therefore, the breakout is considered by Commission staff to be evidence that injected fluids have escaped the permitted injection zone, 16 TAC §3.46(d)(1)(E), and that freshwater is likely to be polluted as a result of continued operation of the wells, 16 TAC §3.46(d)(1)(B). Accordingly, the subject permits are to be terminated for just cause.

BLSR Operating, Ltd.
Caldwell, J. H. (11490) Lease
Notice of Injection Permit Termination
March 4, 2010

Page 2

You have the opportunity for a public hearing to contest termination of the permits. If you wish to pursue retention of the permits through the public hearing process, respond in writing within thirty days of the date of this letter and request that a hearing be scheduled.

Sincerely,



Doug O. Johnson, PE
Manager for Injection – Storage Permits and Support
Technical Permitting Section
Oil and Gas Division

cc: RRC – Houston